

FISCAL NOTE

Bill #: HB 540

Title: Bonding for higher education and other state projects

Primary Sponsor: Sue Dickenson

Status: As Amended on the Senate Floor

Sponsor signature

Date

David Ewer, Budget Director

Date

Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$0	\$637,477
Revenue:		
General Fund	\$0	\$0
Net Impact on General Fund Balance:	\$0	(\$637,477)

- | | |
|---|---|
| <input checked="" type="checkbox"/> Significant Local Gov. Impact | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

Department of Administration

1. All bonds will be issued by the Department of Administration beginning in May 2006, consistent with the schedule on the following page.
2. All bonds will be retired by the general fund.
3. All bonds will have a 20-year term.
4. The payment dates for all bonds will be February (to make the first semiannual interest payment) and August (to make the second semiannual interest payment plus the annual principal payment).
5. The first bond payment will be due in February 2007, which will be the first interest payment for the May 2006 bond issue.
6. The debt service for the 2007 biennium was calculated using a 4.45 percent interest rate, which was provided by Piper Jaffray & Co., the state's financial advisor.
7. The \$10 million in bonds for the St. Mary Water Project would be used to match federal and local funds for the rehabilitation and replacement of the St. Mary diversion facilities.
8. Total costs for rehabilitation and replacement of the St. Mary diversion facilities is estimated to be approximately \$127 million.

Fiscal Note Request HB 540, As Amended on the Senate Floor

(continued)

9. Federal authorization for rehabilitation and replacement of the St. Mary diversion facilities will be passed by Congress this year.
10. Necessary preliminary engineering, environmental analysis, cultural and historic investigations, and economic and financial analyses are completed by the end of FY 2006.
11. State funding of the Ft. Belknap Compact is necessary to meet the State's legal obligation for mitigation/cost-share under the Fort Belknap Water Right Settlement, 85-20-1001, MCA.
12. Congressional action on the Ft. Belknap Compact depends on state funding being in place.
13. Congressional ratification of the Fort Belknap Compact is completed in the 2007 biennium.
14. State funding of the Ft. Belknap Compact supports protection and financial stability of eight irrigation districts on the Milk River.
15. Issuance of State Bonds for the St. Mary project and Fort Belknap Compact is dependent upon agreements with local interests and federal agencies.
16. The appropriation for the Great Plains Dinosaur Park in section 2 is for property acquisition and/or construction.
17. The Department of Commerce shall own the Great Plains Dinosaur Park, but the department may lease the facility to a qualified local government or non-profit corporation.
18. The local governmental entity or non-profit corporation shall provide for the operation and maintenance of the facility without cost to the State of Montana.

Issuance Schedule - 2007 Biennium				
Project	May 2006	May 2007	May 2008	Total
MONTANA STATE UNIVERSITY				
Great Falls College of Technology	850,000	8,150,000	2,000,000	11,000,000
Billings College of Technology	3,680,000	4,920,000	400,000	9,000,000
Gaines Hall Renovation, Phase I	3,500,000			3,500,000
AES Projects	500,000			500,000
UNIVERSITY OF MONTANA				
Helena College of Technology	7,000,000	500,000		7,500,000
MTUM Petroleum Building	900,000	2,100,000	6,000,000	9,000,000
MONTANA HISTORICAL SOCIETY				
Montana Historical Society Building	1,000,000	6,500,000		7,500,000
DNRC				
St. Mary Water Project	5,000,000	5,000,000		10,000,000
Fort Belknap Water Compact	4,500,000	5,000,000		9,500,000
DEPARTMENT OF COMMERCE				
Great Plains Dinosaur Park	500,000			500,000
Totals	27,430,000	32,170,000	8,400,000	68,000,000

Fiscal Note Request HB 540, As Amended on the Senate Floor
(continued)

Department of Commerce

19. HB 540 as amended appears to provide an alternative funding source for the project contemplated in HB 423 (Provide grant funding for Great Plains Dinosaur Park in Malta) which (as of 04/09/2005) is currently in the Senate Fish and Game Committee. It is assumed the proposed project would be located in Malta.
20. For the purposes of this fiscal note it is assumed the Great Plains Dinosaur Park project contemplated in HB 540 as amended is a valid state owned capital project.
21. It is also assumed the Department would lease said project, for a nominal amount to be deposited in the general fund, to a locally based and financially solvent entity who would assume total responsibility for all operational costs of the Great Plains Dinosaur Park; some of which include staffing, equipment, maintenance, utilities, insurance, and improvements as needed, among others.

FISCAL IMPACT:

	<u>FY 2006</u> <u>Difference</u>	<u>FY 2007</u> <u>Difference</u>
<u>Expenditures:</u>		
Debt Service	0	637,477
<u>Funding of Expenditures:</u>		
General Fund (01)	0	637,477
<u>Revenues:</u>		
General Fund (01)		
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	0	(637,477)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

In addition to State funding, local funds will be necessary to meet non-federal cost share requirements of any rehabilitation and replacement of the St. Mary Diversion facilities. Specifically, irrigation districts will likely issue local debt to finance construction activities. This debt will be spread against irrigation lands receiving water from the Milk River and paid through assessments. In addition, municipalities who have water service contracts for Milk River waters will see an increase in contract costs associated with the non-federal share of construction costs.

LONG-RANGE IMPACTS:

Operation and Maintenance

The six (6) Montana University System projects included will result in an estimated biennial ongoing cost-upon-completion (increase) of general fund expenditures of \$2,938,993. This increase is attributable to increased O & M obligation and is based upon the assumption that O & M support will be consistent with the FY 2006-2007 Present Law Base funding splits. The state share was based upon the number of resident students, as a percentage of the total students for each campus. For the aggregated system, this split was approximately 80 percent state funds and 20 percent university funds.

The current Montana Historical Society (MHS) building is approximately 90,000 gross square foot, while the new facility is approximately 250,000 gross square foot. By consolidating the existing museum and its

Fiscal Note Request HB 540, As Amended on the Senate Floor

(continued)

satellite facilities into 200,000 sf of the new facility, on-going operation and maintenance is expected to increase by \$1,972,966 for the biennium prior to the offsets noted below.

This cost is reduced by in-filling current leased space into the existing 90,000 gsf MHS building. This savings is estimated as \$801,524 because there is an estimated savings of about \$4.32 per square foot when comparing the “average leased space” rates in Helena to the rates charged by the Department of Administration, General Services Division. This assumption does not include the cost to retrofit the existing MHS building for new occupants.

If the remaining 50,000 square foot in the new facility is rented at \$15 per square foot per year, \$1,500,000 in the biennium of lease revenue will be generated by the state. This could result in a biennial \$328,558 net savings in all funds in operation and maintenance costs by this move.

Future Debt Service

If this bill is approved and the bonds are issued in accordance with the schedule shown on page 2, the debt service will be approximately \$2,826,794 in FY 2008 and \$4,711,913 in FY 2009, with the final payment being made in 2029, based on information shown below.

Fiscal Year	HB540 Debt Service
2006	0
2007	637,477
2008	2,826,794
2009	4,711,913
2010	5,151,390
2011	5,149,006
2012	5,146,517
2013	5,143,916
2014	5,141,200
2015	5,138,363
2016	5,135,400
2017	5,132,305
2018	5,129,072
2019	5,125,695
2020	5,122,168
2021	5,118,484
2022	5,114,636
2023	5,110,617
2024	5,106,419
2025	5,102,034
2026	5,097,454
2027	5,092,671
2028	3,036,882
2029	628,659

Fiscal Note Request HB 540, As Amended on the Senate Floor

(continued)

TECHNICAL NOTES:

1. State mitigation/cost share for the Fort Belknap compact is a legal obligation of the State of Montana, 85-20-1001, MCA. If state funds are not provided, the compact may be nullified. This could potentially force the State and the Tribe into litigation of the Fort Belknap reserved water right. Such litigation costs are estimated to be greater than the cost of the negotiated settlement. In addition to addressing, long-term obligations under the compact, the projects envisioned will provide immediate benefits to current irrigation in the Milk River basin. Proposed projects will improve water management and supply in a water short basin.
2. Unless the Great Plains Dinosaur Park is a state facility, bonds cannot be sold. The facility must be owned or to be owned by a state agency per 17-5-801 and 18-2-101, MCA.